

MAY 27 1971

The Honorable
Charles S. Gubser
U. S. House of Representatives
Washington, D. C. 20515

Dear Congressman Gubser:

This is in response to your letter of May 21, 1971, which enclosed a tearsheet from the "Stanford Daily" (a publication of Stanford University) of the article entitled, "The New Opium War," as reprinted from "Ramparts Magazine."

Charges made in the article appear to be a part of a continuing effort to discredit agencies of the U. S. Government, such as the U. S. Military, the FBI, the CIA, and the Department of State, all of which are, in point of fact, working actively with the Bureau of Narcotics and Dangerous Drugs (BNDD) in our worldwide effort to curtail international drug traffic.

Actually, CIA has for sometime been this Bureau's strongest partner in identifying foreign sources and routes of illegal trade in narcotics. Their help has included both direct support in intelligence collection, as well as in intelligence analysis and production. Liaison between our two agencies is close and constant in matters of mutual interest. Much of the progress we are now making in identifying overseas narcotics traffic can, in fact, be attributed to CIA cooperation.

In Burma, Laos, and Thailand, opium is produced by tribal peoples, some of whom lead a marginal existence beyond the political reach of their national governments. Since the 1950's, this Southeast Asian area has become a massive producer of illicit opium and is the source of 500 to 700 metric tons annually, which is about half of the world's illegal supply. Up to now, however, less than ten percent of the heroin entering the United States comes from Far Eastern production.

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The dimensions of the drug problem and the absence of any strong political base for control purposes has been a dilemma for United Nations opium control bodies operating in Southeast Asia for many years. Drug traffic, use, and addiction appears to have become accepted as a fact of life in this area and, on the whole, public attitudes are not conducive to change.

The U. S. Government has been concerned that Southeast Asia could become the major source of illicit narcotics for U. S. addicts after the Turkish production is brought under control. The Bureau of Narcotics and Dangerous Drugs, with the help of CIA, DoD, and the Department of State, has been working to define and characterize the problem so that suitable programs to suppress the illicit traffic and eliminate illegal opium production, such as the proposed United Nations pilot project in Thailand, can be implemented.

It is probable that opium production in Southeast Asia will be brought under effective control only with further political development in these countries. Nevertheless, in consideration of U. S. Military personnel in the area, as well as the possibility that opium from this area may become a source for domestic consumption, concerned U. S. Agencies, including CIA, Bureau of Customs, DoD, and State, are cooperating with BNDD to work out programs to meet the immediate problem as well as provide longer term solutions.

Since the subject matter of your letter concerns CIA, I have taken the liberty of furnishing a copy along with my reply to Director Richard Helms.

Sincerely,



John E. Gingersoll
Director

cc: 25X1A
Department of State - Thai Desk
CIA
DoD, Mr. Bartimo

RECENT TRENDS IN THE ILLICIT NARCOTICS MARKET IN SOUTHEAST ASIA

1. The reported increasing incidence of heroin addiction among U. S. servicemen in Vietnam and recent intelligence indicating that heroin traffic between Southeast Asia and the United States may also be increasing suggest that Southeast Asia is growing in importance as a producer of heroin. While this phenomenon in part reflects improvement in information available in recent months to the U. S. Government, there are also good indications that production of illicit narcotics in Southeast Asia has indeed risen in 1971.

Background

2. The Burma, Laos, Thailand border area, known also as the "Golden Triangle," is considered one of the world's largest opium producing regions. This region normally accounts for about 700 tons of opium annually or about one-half of the world's total illicit output. A substantial proportion is consumed within the region. Burma, by far the largest producer of opium in this region, accounts for about 400 tons annually.

Burma

3. Production in Burma is concentrated in the Eastern and Northern parts of Shan State and in the Southwestern part of Kachin State. Poppy fields cover the rugged slopes in Eastern Shan State around Keng Tung and in Northern Shan State from Lashio east and north to the China border. The latter territory, comprised of the former Wa and Kokang feudal states, is now a center of insurgency directed against the Burmese government, with much of the area under insurgent control.

4. The growing season varies with the altitude, but the planting season generally falls during the months of August and September, with the harvest some seven months later during February and March. At harvest time the women of the hill tribes slit the poppies and collect the raw opium by hand. The opium plants themselves are ground into a compound for smoking. In Northeast Burma, the raw opium is packed by the growers and traded to itinerant Chinese merchants who transport it to major collection points, particularly around Lashio and Keng Tung. Agents of the major entrepreneurs circulate through the hill country shortly after harvest time arranging for payment and pickup. Payment is often in the form of weapons and ammunition, although gold and silver rupees are also used.

5. The opium harvested in Shan, Wa, and Kokang areas is picked up by caravans that are put together by the major insurgent leaders in these areas. The caravans, which can include

up to 600 horses and donkeys and 300 to 400 men, take the opium on the southeasterly journey to the processing plants that lie along the Mekong River in the Tachilek (Burma) - Mae Sai (Thailand) - Ben Houei Sai (Laos) area. Caravans carrying in excess of 16 metric tons have been reported.

Thailand

6. Opium-growing areas in northern Thailand are located in the upland tracts occupied by various tribal groups. The provinces of Chiang Mai, Chiang Rai, and Nan, which have the largest concentration of Meos, produce most Thai opium. Illicit opium production in Thailand is estimated at 200 tons.

Laos

7. Another, less productive, opium growing area is along the 2,500 to 4,500 foot high mountainsides of Northwest Laos. The opium cultivated by the Meo in this area is of a relatively lower grade and thus less suitable for refinement into morphine base or heroin. In these areas where the tribesmen have been encouraged to grow corn, the poppies are planted among the corn. When the corn is cut, the poppies continue to grow until they too can be harvested.

8. Major producing areas include Phong Saly Province in the North, Houa Phan (Samneua) Province in the Northeast, and the Plaine des Jarres area of Xiang Khoang Province in the East-central part of the country. However, large areas of production in Phong Saly, Houa Phan, and Xiang Khoang have fallen under the control of the Pathet Lao and North Vietnamese.

9. The trade in Northwest Laos is less well structured and organized for significant commercial exploitation. There are no advance purchasing agents or pick-up caravans. The harvested opium and the poppy plants which are ground up for smoking are transported to nearby village markets by the growers themselves. In highland market places the raw opium and its by-product are used openly as currency. Ethnic Chinese merchants are the traditional purchasers of the opium products throughout Laos. The products they collect are transported to population centers and also to processing plants along the Mekong River by travelers, particularly government soldiers, who have the most mobility and access to air travel in the area, and refugees. Opium produced in the Communist-controlled areas also finds its way into the regular marketing channels.

Distribution and Refineries

10. The KMT irregular "armies" and the Burmese Self Defense Forces (KKY) are the most important trafficking syndicates in Northern Southeast Asia. The KMT irregulars--formerly the remnants of the Chinese Nationalist forces which retreated across the Chinese border in 1949--now composed largely of recruits from the local population, have a combined strength of between 4,000 and 6,000 well-armed men. The largest force, with an estimated strength of 1,400 to 1,900, is the Fifth Army. The second largest with a troop strength of between 1,200 and 1,700 is the Third Army. The headquarters of both armies are located in a remote part of Northern Thailand between Fang and Mae Sai. It is estimated that these two KMT irregular forces control more than 80 percent of the opium traffic from the Shan State.

11. The KKY have been major competitors of the KMT irregulars in the opium trade. The KKY are comprised of former Shan State insurgents and bandits who have allied themselves with the Burmese government against both the KMT and Chinese Communist-backed insurgents. In return the government of Burma allowed them to pursue their opium trafficking activities.

12. The Shan States Army, an insurgent group, is also heavily involved in the opium business. It maintains several camps in Northern Thailand where opium is marketed for weapons and military supplies.

13. About 140 tons of raw opium is normally transported annually out of Northeast Burma to foreign markets. Most of this opium is stored or processed in the Mekong River tri-border area before transiting Thailand and Laos. Tachilek, Burma is probably the most important transshipment point in the border area. In 1970, out of a total of 123 tons reportedly shipped out of Northeast Burma, 45 tons was received in the Tachilek area. In the first two months of 1971, 58 out of a total of 87 tons had Tachilek as its destination. Other important transshipment points appear to be located in the vicinity of Ban Houei Sai, Laos, and Mae Salong, Thailand.

14. There appear to be at least 21 opium refineries of various sizes and capacities located in the tri-border area, of which about 7 are believed to be able to process to the heroin stage. The most important are located in the areas

around Tachilek, Burma, Ban Houei Sai and Nam Keung, Laos, and Mae Salong, Thailand. The best known, if not largest of these refineries is the one at Ban Houei Tap, Laos, near Ban Houei Sai which is believed capable of processing some 100 kilos of raw opium per day. The 14 refineries in the Tachilek area apparently process the largest volume of raw opium in the region. In 1970, about 30 tons was converted by the Tachilek refineries into refined opium, morphine base, and heroin.

15. The typical refinery is on a small tributary of the Mekong River in an isolated area with a military defense perimeter guarding all ground approaches. Most of these refineries operate under the protection of the various military organizations in the region, or are owned or managed by the leaders of these military groups. The KKY units protect and operate most of the refineries in Burma. Leaders of these groups also hold an ownership interest in many of these facilities. In Thailand, the refineries appear to be operated by units of the KMT irregulars, whereas in Laos, most of the refineries operate under the protection of elements of the Royal Laotian Armed Forces (FAR). While the management and ownership of the Laotian refineries appear to be primarily in the hands of a consortium of Chinese, some reports suggest that a senior FAR officer may hold an ownership interest in a few of these facilities.

16. Most of the narcotics buyers in the tri-border area are ethnic Chinese. While many of these buyers pool their purchases, no large syndicate appears to be involved. The opium, morphine base, and heroin purchased in this area eventually finds its way into Bangkok, Vientiane, and Luang Prabang, where additional processing may take place before delivery to Saigon, Hong Kong, and other international markets.

17. Much of the opium and its derivatives transiting Thailand from Burma moves out of such Northern Thai towns as Chiang Rai, Chiang Mai, Lampang, or Tak by various modes of ground and water transport. These narcotics, along with those produced in Thailand, are smuggled into Bangkok for further refinement into morphine or heroin. A considerable quantity of the raw opium and morphine base is sent by fishing trawler from Bangkok to Hong Kong during a period from about 1 January to 1 May. During this period, approximately one fishing trawler a day--carrying one to three tons of opium and/or quantities of morphine base--leaves Bangkok for Hong Kong. The boats proceed to the vicinity of the Chinese Communist-controlled Lema Islands-- 15 miles south of Hong Kong--where the goods are loaded into Hong Kong junks.

18. Opium and its derivatives which move through Laos are transferred from the Mekong River refineries by river craft and FAR vehicles to Ban Houei Sai, further downstream on the Mekong in Laos, from where it is transported on Royal Laotian Air Force (RLAF) aircraft to Luaing Prabang or Vientiane. From Vientiane narcotics are usually sent via RLAF aircraft, as well as Air Laos, to other cities in Laos such as Savannakhet or Pakse or to international markets. A considerable portion of the Laotian produced narcotics is smuggled into Saigon on military and commercial air flights, particularly on Royal Air Laos and Air Vietnam. Although collusion between crew members and air line agents on one hand and individual narcotics smugglers on the other has been reported, poor handling of commercial cargo and the laxity of Lao customs control in Vientiane and other surreptitious loading of narcotics aboard commercial flights.

Recent Changes in the Area

19. There are tentative indications that larger quantities of raw opium may now be moving into the tri-border area for refining and that larger quantities of this raw opium are now being refined into morphine base and heroin in this area. As suggested in paragraph 13 above, data on the first two months of 1971 indicate that the Tachilek transshipment and refining area may be receiving and processing sizably larger amounts of raw opium than was the case in 1970. As for changes in the type of refined narcotics produced, the processing plants at Mae Haw in Thailand and Houei Tap in Laos now appear to be converting most of their opium into #4 or 96 percent pure white heroin. Previously, these refineries tended to produce refined opium, morphine base and #3 smoking heroin. An increased demand for #4 heroin also appears to be reflected in the steady rise in its price. For example, the mid-April 1971 price in the Tachilek area for a kilo of #4 heroin was reported to be U.S. \$1,780 as compared to U. S. \$1,240 in September 1970. Some of this increase may also reflect a tight supply situation in the area because of a shortage of chemicals used in the processing of heroin. Rising prices for opium and its derivatives can also be seen in other areas of Southeast Asia.

20. The establishment of new refineries since 1969 in the tri-border area, many with a capability for producing 96 percent pure heroin, appears to be due to the sudden increase in demand by a large and relatively affluent market in South Vietnam. A recent report pertaining to the production of morphine base in the Northern Shan States would indicate a possible trend toward vertical integrations--producing areas establishing their own refineries--in the production of narcotics. Such a development would significantly facilitate transportation and distribution of refined narcotics to the market places.